

## APPENDIX.

## STANDING COMMITTEE REPORTS.

The following committees have today filed favorable reports on bills, as follows:

Penitentiaries: House bills Nos. 10 and 7.

State Affairs: House concurrent resolution No. 8.

## SIXTH DAY.

(Continued.)

(Friday, January 31, 1930.)

The House met at 9:59 o'clock a. m., and was called to order by Speaker Barron.

## MESSAGE FROM THE GOVERNOR.

Mr. Mark Wiginton, assistant secretary to the Governor, appeared at the bar of the House and, being duly announced, presented the following message from the Governor, which was read to the House, as follows:

Executive Office,  
Austin, Texas, January 29, 1930.

To the Members of the House of Representatives:

Attached hereto is a copy of the original report of the State Auditor. I am advised the Auditor has copies available for members of the House, upon request.

Respectfully submitted,  
DAN MOODY,  
Governor.

## SPECIAL REPORT OF THE STATE AUDITOR AND EFFICIENCY EXPERT.

Austin, Texas, January 27, 1930.

Hon. Dan Moody, Governor; Hon. Barry Miller, Lieutenant Governor; Hon. W. S. Barron, Speaker of the House of Representatives, the Legislature of Texas.

Gentlemen: There is transmitted herewith a special report of the State Auditor and Efficiency Expert. The report contains a resume of certain findings resulting from investigations conducted by this office.

The unsatisfactory conditions disclosed, many of long standing, are brought to your attention for such action as may be deemed proper. Look-

ing to their rectification, the Auditor is taking the liberty of offering a number of suggestions, which it is believed, if adopted, will effect improvements and economies in the administration of the fiscal affairs of the State.

Respectfully submitted,

MOORE LYNN,  
State Auditor and Efficiency  
Expert.

## Introduction.

The First Called Session of the Forty-first Legislature passed the Act of May 2, 1929, creating the office of State Auditor and Efficiency Expert.

Under the provisions of the act, he is authorized to inspect the books of accounts and records of all offices, departments and establishments of the State government. On concluding such investigations, he is required to render a report on the efficiency of the subordinate employes, the status and conditions of public funds, and any duplication of work done by the department examined and other departments.

The purpose of the legislation is twofold: first, the protection of public funds; and second, the introduction of sound business principles in State activities. In the furtherance of these objects, the law imposes upon the Auditor the duty of informing the Governor and the Legislature of changes deemed necessary to provide for adequate systems of accounting in the several departments and of reporting all derelictions of duty and breaches of trust of fiscal officers.

Preparatory to making complete audits of departments, a preliminary survey of the structural organization of the State government has been undertaken. This has disclosed certain conditions to which immediate attention should be given. These are presented in the following paragraphs.

3. Failure of Comptroller's Audit of Treasury.—A perusal of the laws governing the offices of State Treasurer and State Comptroller discloses the fact that the Legislature years ago provided, by appropriate statutes, an adequate system by which the Comptroller would at all times know exactly the amount of cash and securities required to be in the hands of the Treasurer, thus giving the Comptroller an accounting "control" over the accounts of the Treasurer and a means for carrying on a continuous audit of the Treasurer's accounts. Both officers were specifically directed to keep these records, and the Comp-

troller was to make such audits regularly.

The Comptroller never knows the total amount of State money the Treasurer is supposed to have. He does not make any audit whatever, so far as can be learned, of the Treasury.

The system provided by law for safeguarding the State's funds has completely failed to attain its purpose, not through any apparent fault of the statutes, but simply through the failure of both the Treasurer and the Comptroller to comply with the plain provisions of the law.

It seems quite likely that neither of the officials whose negligence is responsible for this situation has fully understood the import of the statutes, nor have they recognized the unchanging and scientific accounting principles upon which the law was based. In fairness to the present Treasurer and the present Comptroller, it must be stated that the situation appears not to be of recent origin. Each officer, however, has had five years in which to do his part in correcting the situation.

The State, like any business establishment, must at times ask the questions: "How much money do we have, according to the books?" and "Is the money actually on hand?" A properly managed business can answer both questions accurately within a reasonable time. Under no circumstances would it be satisfied merely to know the balance in its bank account according to the books of the bank; but, instead, it would demand to know the actual net balance of cash after considering all outstanding checks. The financial offices of the State cannot answer these questions.

For example, no agency of the State can tell accurately the amount of the net cash balance in the general revenue fund or in many of the other funds at any given date. The Treasurer and the Comptroller each have figures purporting to furnish this information, but the two sets of accounts do not agree, and the differences in their figures vary by large amounts. The Auditor believes it is safe to assert that neither is correct.

On August 31, 1928, the net cash balance in the general revenue fund alone, as disclosed by the Treasurer's records, was in round numbers \$437,000 in excess of that shown by the Comptroller's books; on September 30, 1929, the difference had increased to \$587,000; and by November 30, 1929, the difference had reached \$739,000.

The Comptroller and the Treasurer

are charged by law with keeping accounts and performing duties that will enable each to know all sums deposited, all warrants issued, all warrants paid, all outstanding warrants, and the net cash balance in each fund.

The Treasurer receives and relinquishes millions of dollars, in cash and securities, each year, of which the Comptroller has no record or knowledge. The Treasurer pays out large sums from the Land Office "suspense" account solely on the authority of the Land Commissioner, the Comptroller's approval, in some cases, being obtained long after the disbursements have been made.

The Treasurer and the Comptroller have no adequate method of reconciling the monthly totals of pension warrants issued. The Comptroller does not examine or assist in cancelling the warrants paid by the Treasurer. The Treasurer does not furnish to the Comptroller a periodical list of warrants outstanding by funds.

If the simple requirements of the statutes were complied with, there would be no possibility for any differences in the fund balances reported by the Treasurer and the Comptroller. Moreover, the balances would be correct.

Briefly speaking, the system of safeguards provided by law has failed, since neither the Treasurer nor the Comptroller has followed the law. Consequently, neither officer is in a position to give the Governor, the Legislature or the general public an accurate and intelligible statement of the financial condition at any given date or of the transactions for any given period.

The seriousness of this situation can scarcely be over-emphasized.

Suggestions for correcting these evils will be offered later in this report.

4. Collections and Audits made by Comptroller.—Each year the Comptroller collects millions of dollars of State money. Heretofore, no one has attempted regularly to see how well he does his work.

The preliminary survey shows that he is not making sufficient effort to determine and collect money due the State. Certain revenue collections are accepted with little or no verification. In some cases penalties lawfully due are not enforced. Refunds have been made indirectly, without appropriation, by allowing offsets against amounts due the State.

In the case of remittances of tax collectors, deductions of fees are per-

mitted on delinquent tax contracts, which do not have the Attorney General's approval.

On December 18, 1928, the Texas Tax Record Company was incorporated by A. P. Bagby and E. J. Martin, who were employes in the Comptroller's Department, and Gladys M. Terrell, wife of the Comptroller. This company immediately secured a contract to collect delinquent county taxes in San Patricio county. On April 8, 1929, the contract was amended to include State taxes. Shortly thereafter the Comptroller instructed the county tax collector to pay the corporation fees on State taxes collected from the date of the contract till April 1, 1929, and deduct and take credit for such amounts on the tax collector's April, 1929, report of collections. Deductions have been regularly allowed since that time.

Supervisors in the Comptroller's Department collect and turn over to the county tax collectors State occupation taxes, making a report thereof to the Comptroller. These reports are filed without attempt being made to see that the tax collectors account for the money. This matter was called to the attention of the Comptroller, who stated that it was the duty of the tax collectors to turn in the money, but that he did not consider it the Comptroller's duty to see that the State actually received it.

The records are such that it is difficult to tell whether all gasoline and gross production taxes due are actually paid. Prompt efforts are not made to ascertain that delinquencies are occurring. On the theory that the statute of limitations is not considered to run against the State, unnecessary delays occur in attempting to effect collections. These delays cause serious losses, because persons indebted to the State become insolvent before claims are prosecuted.

The Comptroller until recently maintained certain bank accounts called "S. H. Terrell, Comptroller—Special," or titles closely resembling this. In response to a request by the Auditor that he report all special bank accounts, the Comptroller failed to mention certain of these. The Auditor having previously ascertained, through a routine examination, that such accounts existed and that State money had been deposited therein, demanded full information of transactions passing through them. Only a part of this information has been furnished by the Comptroller, and he has stated that such checks and

bank statements as were not exhibited to us had been destroyed. This, of course, has made the audit of these accounts most difficult. A special report covering our findings will be submitted shortly.

The Comptroller does not keep the control or total accounts of delinquent ad valorem taxes, though the law requires it. He, therefore, cannot tell how much is due the State because of such delinquencies.

He does not have on hand reports of fees from tax collectors and assessors that the law directs to be sent him, and he apparently makes no effort to get them in his files.

The statutes direct that the Comptroller shall not present to the Treasurer warrants for the expenses of his department without first securing the approval of the Secretary of State. He does not get this approval, and states in writing that he did not know of the law until a time after we began our investigation. The Treasurer has paid these warrants without the approval the statutes require.

5. Suggestions of a Way to Immediately Begin Corrections.—Repeatedly, for more than twenty years, have defects in the accounting system been reported to the Legislature, sometimes by its committees and sometimes by investigators employed by it. Nearly every report, including this one, points out many of the same defects.

In 1909 and 1910, immediately following one of the investigations, many of the laws relating to the fiscal matters of the State were rewritten with a view of correcting evils then existing. The laws passed at that time have been largely ignored and the accounting controls and safeguards intended to be established by these statutes have never become effective.

Before the end of 1930 the principal defects can be overcome without cost to the State. To accomplish this, the Legislature need only supply an amount probably less than the expense of one of the often-repeated accounting investigations. Through the judicious use of such a fund, many of the evils heretofore mentioned in this report can be corrected and, in addition, savings will be effected far exceeding the initial outlay. The means of effecting these economies will be pointed out in detail further on in this report.

In order that all needed improvements to make the laws operative may be effected in a manner that will co-

ordinate the work in the different departments and prevent unnecessary duplications, it is believed that, should such an appropriation be provided, it should be spent at the direction of the Governor in the manner and in the particular departments to be recommended by the State Auditor.

The money would be used to make the laws effective and actual expenditures would include, among other things, the designing and printing of new forms, supplying such new equipment as would be needed, and paying a few additional salaries for persons to install the new records and instruct the regular employes in their new duties, and, if a real need be found to exist, to be regularly detailed to work in a department. It should also be available for paying for surety bonds to indemnify both the State and the heads of departments against acts of such employes as might go into offices having valuable records or funds.

To further put at rest the minds of all department heads, it might be directed that no officers need abandon any old type of records until the new ones to be provided are demonstrated to be workable and actually to replace the old ones in every essential, and then not until the Attorney General has advised that to both follow the State Auditor's recommendations and to abandon the old records will be lawful.

It is estimated that \$25,000 could be wisely spent in this manner and savings that can be effected will be in excess of \$100,000.

Attention is directed to the fact that no part of the appropriation suggested would be spent in the State Auditor's

office, but the entire amount would be used in other departments to put into effect statutes that will, if enforced, correct many of the State's financial difficulties.

Regarding the appropriations for the Auditor's office, it is but proper to inform the Legislature that the amount set aside is uncomfortably small, but this department wishes to demonstrate its worth before asking additional appropriations for its own use. As yet the full results that can be accomplished are not in sight, for the surface has but been scratched.

6. Losses Due to Office Routine and Failure to Collect Interest and Penalties.—The records of 1,375 separate remittances of \$1,000 or over have been traced to determine the time required for them to pass through departmental routine and begin to draw interest for the State. These were from a representative number of departments, covered a period of several months, and totaled over \$17,250,000. Of these remittances, 981 took from 6 to more than 30 days, sometimes much more, before beginning to draw interest. The average loss, after allowing two or three days to go through the mails and a reasonable time to go through departments, was 7 days. This delay was due to many causes, among which were withholding checks from deposit until computations could be verified or to save the work of making deposits more than once or twice a month, and the acceptance of New York and other foreign checks in payment of amounts due at Austin.

A few instances of the many losses on individual checks are shown below:

Item	Amount	Days Lost	Interest Lost
1. ....	\$ 404,341.66	10	\$ 252.71
2. ....	606,460.42	9	341.14
3. ....	145,150.81	15	136.08
4. ....	56,433.00	24	84.65
5. ....	30,755.06	8	15.38
6. ....	12,022.53	13	9.77
7. ....	16,574.99	69	71.48
8. ....	5,000.00	76	23.75
9. ....	102,100.91	15	95.72
10. ....	31,596.68	18	35.55

(The last item was in lieu of a check received at a prior date, but returned because of an overpayment.)

Penalties imposed by law have been waived in many instances and past due payments have been accepted without

exacting interest. A few instances of such losses follow:

Item	Amount	Amount Uncollected	
		Penalty Lost	Interest Lost
1.....	\$ 648.74	\$ 64.87	8 or 9 months
2.....	1,891.93	189.19	7 days
3.....	558.92	55.89	37 days
4.....	317.50	31.75	67 days
5.....	1,746.88	174.69	6 days
6.....	3,112.72	311.27	9 to over 12 mos.
7.....	7,519.12	751.91	2 mos. to 5 yrs.
8.....	2,177.27	217.73	4 to 12 months
9.....	1,275.30	127.53	1 to 11 months
10.....	212.18	21.22	1 month

The preventable losses resulting from office routine and failure to collect interest and penalty are estimated to total each year about \$121,000. They may be summarized as below:

Summary of Preventable Losses of Penalty and Interest:

(1) Failure to collect penalty on past due payments....	\$ 10,000
(2) Failure to collect interest on past due payments...	15,000
(3) Accepting checks on New York and other banks in payment of sums payable at Austin .....	3,000
(4) Unnecessary delay in depositing money .....	50,000
(5) Failure to invest funds...	11,500
(6) Special accounts not drawing interest .....	6,500
(7) Failure to collect interest from county depositories.	25,000
Total preventable loss....	\$121,000

Each class of loss is discussed below:

(1) Penalties are frequently overlooked and oftentimes expressly waived. Particularly is this true in the case of gasoline and gross production taxes. Tests indicate that this will run well in excess of \$10,000.

(2) Money due at specified dates is commonly permitted to be paid months later, without any charge for interest. This situation has been found to exist in several departments, including those of the Treasurer and the Comptroller. It appears to cost the State each year about \$15,000.

(3) Checks for payments specified to be made at Austin are accepted unchallenged when drawn on New York,

Pittsburgh and other foreign banks. The depository banks pay interest on these only after three to nine days from date of deposit. This loss is placed at \$3,000.

(4) A large preventable loss results solely from office routine that causes delay in making deposits. Probably no department collecting funds is entirely free from this fault. The Treasurer, on page 6 of his report for the year 1927-28, estimates this loss to be \$50,000. Our examination tends to confirm this estimate.

(5) Permanent funds have shown cash balances that are drawing depository interest at low rates, when the money might be invested in bonds bearing a higher rate of interest. These uninvested balances have averaged more than \$500,000 during the last fiscal year and the loss is estimated to be \$11,500.

(6) State officials and institutions had on December 31, 1929, at least 80 special bank accounts, with a total of deposits of over \$2,439,000. At least \$282,900 of this money did not draw interest. The annual loss of interest upon such funds will probably be \$6,500.

(7) The auditing of the interest payments due from banks holding State deposits credited to the Treasurer amounts to little more than verifying the mathematical correctness of the computations made by the banks. As verification is incomplete, it is highly probable that the proper amounts have not been collected. No attempt is made to estimate this loss. Test checks indicate that the payments should be examined.

With reference to county depositories, at first thought it seems that if county officials did not remit tax collec-

tions promptly there would be no loss, since interest would be collected from the county depositories instead of the State and reserve depositories. This is not the case, since some county depositories apparently have never paid interest since the law was passed in 1917. The Comptroller's annual reports for 1927 and 1928 show that at least 81 counties had paid no interest during each of the two years, although the interest is payable monthly. Furthermore, there is no assurance that all those that did pay sent in the right amounts. Ordinary diligence upon the part of the Comptroller will keep much of the interest from becoming delinquent. Some effort is now being made to collect the amounts now past due, but we believe this should be increased. Estimates of the uncollected amounts now due have been given the Auditor. These, however, are so large that they are not quoted here.

It seems conservative to say that the State is failing to collect each year at least \$25,000 of interest due from county depositories.

7. No One Is Directed to Invest Certain Permanent Funds.—No one seems to be charged with the duty of keeping several permanent funds invested. Every year increasing balances of cash have been reported in these funds, yet no new investments of this surplus have been made for more than five years. The average cash balance in these funds has been approximately \$89,500. During the entire period only low rates of interest were received, the funds being held as State deposits. Had this money been invested in bonds, additional interest of 2 per cent might have earned for the State a sum of \$10,500.

The particular permanent funds referred to are those for the Blind School, Deaf and Dumb Institute, Lunatic Asylum and Orphans' Home. Should corrective legislation be undertaken to provide a means for investing these funds, it might properly include any other permanent funds, the investment of which is not otherwise provided by law.

8. Prevention of Delay in Deposit of State Money and Abolishment of Special Bank Accounts for Suspense Items.—This report has already shown that a large sum of money is lost annually because of failure to deposit remittances promptly. This delay is due in part to a certain deficiency in the law.

The statutes clearly define two ways in which money can be placed with the State Treasurer. The first covers cases

when money actually goes into the State Treasury to become a part of State funds subject only to legislative appropriation. The second applies when money is to be held by the Treasurer "in suspense" until its status can be determined or awaiting the time when it can finally be taken into the Treasury.

The statutes clearly provide entirely separate procedures in the offices of both the Comptroller and the Treasurer for receiving, handling, recording and relinquishing each class of funds.

The first includes all regular deposits of State funds, and these are transmitted to the Treasurer upon "deposit warrants." The second includes all remittances that for some reason cannot at once be received into the Treasury. These are transmitted to the Treasurer upon a "deposit receipt" instead of a "deposit warrant." Upon determination of the exact status of the money held under a "deposit receipt," the part of it that is actually found to be due the State is taken into the Treasury as State funds by means of a "deposit warrant"; and, if any of it does not belong to the State, the remainder is paid to its owners by the Treasurer only upon the Comptroller's approval.

The statutes recognize the use of such "suspense" deposits, but limit the application to particular departments.

An example of the use of "suspense" deposits may be found in the accounts of the Land Office, which is authorized to deposit remittances immediately, so that interest can be accruing prior to the determination of the exact status of the money. When other departments collect money, it is sometimes held for days, or even weeks, before being deposited. Sometimes a check of substantial amount is even returned to be rewritten for a larger or smaller amount. There are indications that the sum held in undeposited checks in various departments will average more than \$1,000,000. Virtually all of this amount could be drawing interest.

Many departments, because of their inability to deposit suspense and escrow funds with the Treasurer, have resorted to the use of special bank accounts—at best an unsafe arrangement.

It is believed the situation can be corrected by amending Article 4388 to make its provisions equally applicable to all departments, and that it should be made the duty of every official receiving money in his official capacity to deposit it daily with the Treasurer, either on a "deposit receipt" or a "deposit warrant." Penalties should be

provided to insure compliance with such a law.

Should the proposed legislation be enacted, there would no longer be any semblance of necessity for bank accounts for suspense, escrow or clearance items, and it is believed that such special bank accounts should be specifically forbidden.

There are other bank accounts in which State funds are deposited and used to pay expenses without the formality of passing through the Treasury. These will be discussed in the next section.

#### 9. Money Not Held in the Treasury.—

This office has obtained information of the existence of 80 different bank accounts in the names of State officials, departments and institutions. The accounts so far disclosed contain balances totaling over \$2,439,000.

A part of the money is understood to be donations to certain schools. The accounts do not include funds of banks in liquidation or those held by the Banking Commissioner for the State Banking Board.

Some of the accounts have been dormant so long that the banks could not furnish information as to signatures authorized for withdrawals. Several are in the names of persons out of office for years. Certain accounts were not reported to us upon requests made of officials to do so. Some of the officials do not seem to be aware of the existence of the accounts. In one instance it required four letters to a bank to develop the information this far obtained.

Part of the money is unsecured and part does not draw interest.

A summary of the findings to date is as follows:

	In Austin	Out of Austin	Total
Number of accounts.....	47	33	80
Total of deposits.....	\$ 1,393,646.72	\$ 1,045,401.57	\$ 2,439,048.29
Amount unsecured.....	284,672.72	103,806.51	388,479.23
Amount not drawing interest..	155,227.44	140,345.49	295,572.93
Estimated interest lost.....	3,500.00	3,000.00	6,500.00
Accounts not reported to this office by officials:			
Number.....	13	1	14
Amount.....	\$ 9,521.79	\$ 1,177.51	\$ 10,699.30

Accounts not reported include several of which the departments seemingly had no knowledge. These are still under investigation. In this connection it may be recalled that a legislative committee in 1917 turned into the Treasury over \$10,000 after a similar investigation.

The following is a list of unreported accounts:

Account—	Balance.
Game, Fish and Oyster Commission, special account...	\$ 2,046.15
State Board of Control, S. M. Ramsey, secretary .....	83.29
J. M. Edwards, State Treasurer (in office 1912-1919) ..	13.40
State land account (dormant since 1926) .....	1,363.03
C. V. Terrell, secretary State guaranty fund (in office 1921-1924) .....	1,088.95

J. M. Edwards, secretary (in office 1912-1919) .....	577.04
W. G. Hatcher, secretary of Banking Board .....	1,809.26
J. T. Robison, special (one-cent-an-acre fund) .....	652.44
W. R. Long, Auditor.....	67.04
S. H. Terrell, Comptroller, special .....	1,603.38
S. H. Terrell, Comptroller, special .....	129.98
State Juvenile Training School .....	1,177.51
Deaf, Dumb and Blind Institute, white (dormant since 1923) .....	77.64
Deaf, Dumb and Blind Institute, colored .....	10.19
	<b>\$10,699.30</b>

In response to our first request for

information in regard to funds not deposited in the Treasury, the chief clerk of the Game, Fish and Oyster Commission advised that all moneys had been promptly deposited in the State Treasury. As routine investigations had already disclosed the fact that a bank account was maintained in the name of the Commission, a second request was made. In reply to this, the chief clerk wrote us, telling of the existence of the account in the bank, stating that it had been continued through oversight, and that the balance therein would be immediately deposited in the Treasury.

This was called to the attention of the executive secretary, who wrote that he had no previous knowledge of the existence of the account. He also stated that he had directed that in the future all money received by the Commission should be deposited forthwith in the Treasury. The chief clerk has joined with the executive secretary in asking that a detailed audit be made of the account. We have not as yet had opportunity to complete such audit.

On September 1, 1928, the Banking Commissioner delivered to the chief clerk of the Treasury Department guaranty fund money amounting to \$1,809.26 in the form of a check on the Republic Bank and Trust Company at Austin. Three days later the amount appears to have been deposited in the same bank to the credit of "W. G. Hatcher, Secretary, Banking Board." Our survey of special bank accounts disclosed the fact that on December 31, 1929, the balance still remained in the bank.

On January 20, 1930, the Treasurer wrote us that, with the exception of certain amounts being held by the Banking Commissioner, he knew of no other funds belonging to the guaranty fund except those in his possession in the vaults of the Treasury.

On January 23, 1930, the Treasurer's attention was called to the balance to his official credit in the above bank. Replying on the same date, he informed us that he had not known the amount was in the bank and further stated that through oversight the balance had not been withdrawn and deposited in the vaults of the Treasury, as was the usual custom.

Appended to the Treasurer's letter was a postscript stating that, since writing us, the money had been withdrawn and placed in the vaults of the Treasury.

Mention has already been made of the accounts of "S. H. Terrell, Com-

troller, Special." An audit of the accounts is now in progress.

The status of the J. T. Robison special account seems to be indeterminate. The Texas Bank and Trust Company, in which the account is kept, advises that it considers the balance subject to check by the present Land Commissioner, but that it has no papers on file authorizing the honoring of checks drawn by him.

In a letter dated January 9, 1930, the Commissioner refers to the matter as follows:

"Yours of the 7th in regard to what is known as the 'one-cent-an-acre fund' is before me. This fund, as developed in the trial of the case involving it fully reported in the House Journal of the Forty-first Legislature, Second Called Session, was not treated as a public fund and was not handled through this office. My information about it extends no further than the House Journal discloses. When I became Commissioner, no part of it was turned over to me. There is no record of its disposition in this office and no fund of such character has since been collected by me or anyone connected with this office."

Regarding the special bank account of the State Juvenile Training School, no mention was made of this by the school in responding to a general inquiry seeking to learn of such accounts. A routine investigation gave us information of it, so we called it to the school's attention.

Quotations are made from two letters that have just been received.

The First National Bank, Gatesville, January 23, 1930:

"Answering your inquiry of January 21: The deposit of \$1,177.51 to the credit of the State Juvenile Training School was made on November, 1929, and has not been withdrawn. After the deposit was made we asked the superintendent who was authorized to withdraw it and he advised us that no one had authority to check on it except Mr. Smith, the accountant of the school."

J. S. Smith, Accountant, January 23, 1930:

"The First National Bank reports they have a deposit in the amount of \$1,177.51 to the credit of the school on December 31st, 1929. This deposit, I am informed, is from the sale of some corn made by a former assistant superintendent and was never reported to this office."

We shall make further investigation.

Broadly speaking, the special bank accounts fall into three classes:

- (1) Suspense items not actually belonging to the State;
- (2) Collections temporarily impounded on their way into the Treasury;
- (3) Receipts to be disbursed other than through the Treasury.

In the first two cases, the Auditor finds no logical justification for maintaining special bank accounts. If corrective legislation is enacted, as heretofore suggested, all such items can be deposited daily with the Treasurer either upon "deposit receipts" or "deposit warrants," depending upon their nature.

In respect to the third group, the situation is somewhat different. Certain State departments, schools and institutions receive and disburse moneys that under the present statutes never pass through the Treasury; nor are they reflected in the general published reports of the State finances to show the true total of the State's income and expenses.

Doubtless there are certain plausible arguments in favor of the system of maintaining special bank accounts for schools and institutions. Among these are convenience in making payments on short notice and the informality with which business can be transacted.

On the other hand, we believe the dangers and accounting difficulties inherent in such a system of scattered and uncontrolled finances will be found to outweigh the advantages thereof.

Spending is not properly restricted, adequate safeguards are difficult to maintain and, in some instances, banks are not required to furnish security or pay interest.

Furthermore, the financial system of the State will never be properly co-ordinated as long as large sums are permitted to be received and disbursed without such a record and control of receipts and payments as is provided when the funds pass through the channel of the Treasury.

The Auditor respectfully submits to the Legislature that it might well give consideration to measures designed ultimately to bring all State revenues of every description more directly under its own control by causing all State funds to be deposited in the Treasury.

As a first step to the accomplishment of this end, it might well be directed that all departments and institutions, located or maintaining offices in Austin, or its immediate vicinity, place all State funds in the Treasury.

10. Insufficient Security for State Deposits.—Prior to the First Called Session of the Fortieth Legislature, Article 2538 of the Revised Civil Statutes made it the duty of the State Treasurer to invest in United States securities whatever amount of the State's cash was in excess of the aggregate amount allotted to depository banks for State funds and necessary to be carried in them. Former Treasurers, we are informed, followed this statute in such manner as to protect the State's cash. Accordingly, they are said to have acted to see that the cash in excess of the security offered for State deposits was not held in depository banks as unsecured deposits, but was invested in bearer obligations of the United States. The reasonableness of the action is at once apparent. Advice is that the above session of the Legislature, after being urged to do so, repealed the act authorizing and directing this. I am in duty bound to report to the Legislature a result of this repeal.

During the so-called peak periods of deposits the total cash in depository banks has exceeded the total security for such deposits by as much as \$6,000,000.

There are instances of depository banks having on deposit over \$1,000,000 with security of only \$500,000. While these particular instances are during the months when deposits are heavy, there are other instances in months when the deposits are more nearly normal and where banks are shown to have held cash much greater in amount than the security they had given.

In response to an inquiry from this department on the above subject the Treasurer says, in a letter dated January 16, 1930: "I must either deposit the money in the banks or hold it in the Treasury. No bank being willing to give security for excessive funds deposited with them for but a few weeks' time."

This being the case, it appears that the situation cannot be rectified entirely without corrective legislation.

11. Unauthorized Refunds of State Money.—When money has been paid into the State Treasury so as to become a part of the State funds, it can be removed therefrom lawfully only upon a warrant drawn on the Treasurer by the Comptroller in accordance with a specific appropriation. A partial survey has disclosed instances where the Comptroller, unable to get money directly from the Treasury to make refunds of alleged over-payments, has nevertheless

taken it indirectly from the Treasury, without appropriation, by permitting deductions from sums lawfully due the State in a later fiscal year.

The power to make such refunds being only in the Legislature, the Comptroller should have certified the claims to it for action.

The Attorney General, upon a request from this department, ruled in part on January 7, 1930, as follows:

"It is quite apparent, therefore, that no moneys can be withdrawn from the Treasury, whether the same were paid in through mistake or otherwise, unless by specific appropriation of the Legislature. In the event such a company does overpay its taxes, their recourse is through the Legislature by requesting an appropriation for the refund of such moneys."

Had the Legislature intended that any claims of this nature be allowed without a specific appropriation in each case, it is assumed that a general appropriation would have been made for such in a form similar to the \$25,000 annual appropriation made for refunds of money in land transactions. (See pp. 452-3, General Laws, Second and Third Called Sessions, Forty-first Legislature.)

12. Unused Balances in Certain Available Funds.—There was lying dormant in the State Treasury at August 31, 1929, to the credit of the available funds of the Blind School, Deaf and Dumb Institute, Lunatic Asylum and Orphans' Home a total amount of \$62,486.33.

At times appropriation acts to support these institutions, after fixing the total amount that could be spent, in effect, have read so as to appropriate only such sums from the general revenue fund as were necessary in addition to the balances in these available funds. This did not add to the total sums to be spent, but meant that, after exhausting the available funds, the general revenue fund would be called upon to pay only such differences as would be needed to meet the total appropriations.

Certain appropriation acts have failed to mention these balances, and it is thought this was due to oversight.

Published reports indicate that the average balance of unused funds in such accounts has been about \$45,000 for the past six years. Furthermore, it appears that, under the wording of the present appropriation act, some \$53,000 doubtless will be idle during the present biennium.

On December 24, 1929, we requested

an opinion of the Attorney General in the hope of developing a lawful method of using these funds so that a recommendation could be made to the Legislature.

The Attorney General's opinion has not been received as yet. Without attempting to anticipate his ruling, it is believed that, if there are no constitutional barriers, the unused balances, or any part of them not already set aside, should be appropriated in such a manner as to allow the funds to be used to help pay the existing appropriations for the above schools and institutions.

The fact is emphasized that we are not recommending increases in existing appropriations, but only that funds now idle may be made available to pay a part of the institutional appropriations now probably payable from the general revenue fund alone.

13. No Effective Penalty When Officials Delay Reports and Remittances.—Under the practical working of existing laws it appears that tax collectors can and do delay their reports and remittances. If remittances are for purposes other than highway funds, collectors apparently can withhold them until the Comptroller makes an official demand and then have thirty days in which to make remittances. If for highway collections, they apparently can withhold them for sixty days without penalty and then, by a payment of 10 per cent interest per annum, continue to hold them until the Comptroller makes an official demand and then have thirty days' additional time. The situation regarding other officials is little different. The unbusinesslike nature of this is clearly apparent.

It can be remedied by the enactment of legislation requiring that all officials handling State money shall, without demand, both report and pay same over to the State once each month on the first day of the month unless a different or more frequent date is otherwise specified. A report should be required even if no collections have been made. If any report or remittance be delayed more than fifteen days beyond the due date, a penalty of a fixed percentage of the amount due and interest for the period of the delay could be charged. Should only a report be due, a fixed penalty could be named.

It is doubtful that this will be effective unless every official, to whom reports and remittances are to be made, is required to submit to the Attorney General periodically a list of all re-

ports or remittances that have been or still are delinquent, stating what penalties, if any, he has collected. If any officer fails to report delinquencies, he should be subject to the same penalties as if he himself had actually delayed the reports or remittances.

14. Need for General Penalty for Delinquencies in Making Payments to the State.—No penalty appears to be provided by statute for failure to pay interest when due on land notes belonging to the permanent school or other funds, nor does it appear that the State is in a position to collect even statutory interest on such delayed payments.

Advantage seems to be taken of the State's impotence in this respect and payments of interest are frequently delayed for long periods. As a result, the available school fund is deprived of large amounts of its revenue for substantial periods of time.

In the course of a preliminary study of methods of handling collections in the Land Office, it came to the attention of this department early in December, 1929, that the Shell Petroleum Company had but recently paid to the permanent school fund more than \$58,000 of royalties on oil produced from May, 1928, to October, 1929. This matter was promptly called to the attention of the Land Commissioner, who, at our suggestion, wrote the company, requesting \$1,754.09 as interest on the delinquent payments.

The company shortly thereafter replied, stating that it agreed in principle that interest was properly chargeable on the past due payments, and requested that it be furnished a detailed statement of the computation. It added that no doubt on receipt of the information it would be able to authorize payment immediately.

Shortly thereafter the Land Commissioner sent us a copy of his letter of January 7, 1930, to the Attorney General, which contained this language:

"Will you kindly advise me whether this office is authorized to collect interest on delinquent payments of royalties and whether, should the payment in question be tendered, the office would be authorized to accept and apply it; that is, remit the same to the State Treasurer for credit to the proper fund?"

To this date we have been advised of no ruling made on this point by the Attorney General.

We believe, should it develop that the Commissioner has no legal right to accept such interest if tendered, legis-

lative action might well be taken with a view of placing the State in at least as favorable a position as one of its citizens would be under the same circumstances by enabling it to collect interest at the statutory rate on royalty payments deferred beyond their due date.

School and other collections would be more prompt and interest earnings increased if there was a general statute whereby all cases of delayed payments not covered by other statutes would be penalized at least by a charge of interest at the statutory rate.

Such a general statute might well be extended to cover appropriately all delinquent payments due the State not otherwise specifically mentioned, whether they mature under statutory provisions or according to contract.

15. General Land Office Has No Adequate Accounting for Notes and Interest.—The General Land Office holds millions of dollars of land notes belonging to the permanent school and other funds. The Land Commissioner informs us that the last list of unpaid notes was run in 1920.

It is safe to assert that no privately owned mortgage or investment company, having even a fraction of the number or amount of notes held by the Land Office, would permit its accounts to be thus loosely maintained. The correctness of the accounts showing the totals of unpaid balances of notes should be periodically proved by adding the records of the individual notes.

Many large banks and investment companies now have controlling or total accounts for interest as well as principle, thus providing a safeguard against possible fraud or negligence on the part of employes.

The Auditor believes it is not possible for the interests of the State to be properly safeguarded by any system of accounts for the Land Office which does not at least provide for regularly balancing and proving both unpaid principal and interest.

16. Need of Central Record of Amounts Due the State.—Every claim due the State should be charged to the person or persons owing the money. Charges should be made upon self-balancing ledgers and remain on the books until paid or until the Attorney General directs in writing that they be dismissed.

Many departments have no proper method for recording such charges or

claims. The result is that, if there is any record at all, it is but little better than loose memoranda or carbon copies of letters. These are at times filed with other correspondence and can easily become lost, even during the administration first discovering them. Should the administration change, there is no positive way of passing the information on to the succeeding administration. The result is that the record of a claim may be lost and the State either loses the money or records have to be worked up again at additional cost.

Needless to say, under such a condition abuses can and do occur.

Every department should have special ledgers and numbered blank forms upon which to certify and record claims. The forms should be at least in triplicate, should be numbered by the printer, and charged to those using them. Both used and unused forms should be accounted for in writing.

When departments learn of claims, whether from traveling auditors or otherwise, entry should be made upon such blank forms, charged upon a ledger, and the Comptroller notified.

All correspondence relating to efforts to collect a claim should bear the claim number and be filed together. If reasonable effort to collect a claim is unsuccessful, the files should be delivered promptly to the Attorney General.

Such records should be kept in the Comptroller's office as will permit him to know, by means of controlling accounts, the total of claims on file with each department, including the Attorney General's.

State employes are now going about the State spending the people's money to work up and certify claims for amounts due the State. These include additional automobile and truck fees, gross receipts, gasoline, occupation and other taxes. After amounts due are ascertained, it seems that in many cases little or no effort is made to see that the money actually comes to the Treasury.

The Auditor expects to prepare forms and make recommendations that, if put into effect, will largely correct this situation. If the departments will cooperate in the work, it is believed no legislation will be needed to effect a remedy.

17. Unsatisfactory Blank Receipt Forms for Cash Collections.—Instances have been found of the use of unnumbered forms for acknowledging receipt of cash collections. In some cases dupli-

cate or carbon copies appear not to have been kept. Even where copies are kept, it is unusual to hold anyone accountable for blank forms. For this reason it would be difficult to ascertain if all collections are reported.

Every form used to receipt for collections should be at least in triplicate, all copies being numbered by the printer. The original copy should go to the person making the payment, the second or duplicate copy should generally accompany the remittance, and the third or triplicate copy should not be perforated and should invariably remain in the receipt book and be turned in for auditing.

All such forms should be charged to the user, who should be held strictly accountable for both used and unused forms. All copies of any forms mutilated or voided should be retained.

Forms for acknowledgment of receipt of anything of value should be printed only upon the knowledge and approval of an official who collects no money for the State and who should issue the blank receipt forms to the departments. Department heads should in turn issue the forms to those who are to use them, all users being held accountable.

It is believed that this situation can only be corrected adequately by legislative action. Provision might be made for it to become effective as of September 1, 1930.

In the event of such action, departments should purchase no large supplies of unnumbered forms in the meantime. In order to make the statute fully effective, it would probably be necessary to make it a penal offense to use, or cause to be used, any forms other than those officially prescribed after January 1, 1931. This would allow time to use up supplies now on hand.

The Auditor is now compiling information of the nature and quantities of all receipt forms now in use.

18. Need for Standardization of All Printed Forms.—Since 1910 the statutes have made it the duty of the Comptroller to "prescribe the manner of keeping and stating" accounts and to "prescribe forms of the same class, kind and purpose so as to be uniform in size, arrangement, matter and form." This apparently was intended to standardize accounting work and reduce printing costs. Our investigation shows that many departments, schools and institutions are not using standardized forms.

The results of this failure have been heavily increased burdens of printing

costs, practically no standardization and poorer records.

Many departments use similiar registers, journals, ledgers, receipt forms, etc. Standard forms could be adopted and printed in quantities at great savings.

The State Auditor is assembling from every department and institution copies of all forms and records now being used and information as to the quantities required of each. A study is now being made with a view to recommending standard forms for similar purposes. To do this will take several months, but the work can be well advanced by September 1, 1930. The State can be saved many thousands of dollars each year if the accounting forms purchased for its use are approved by this department both as to adequacy and standardization before printing is authorized.

This will make it possible not only to secure lower costs, but to accomplish uniformity in size, arrangement, matter and form.

19. Need for Improvement in Departmental Printed Reports.—The printed reports of State departments are frequently inexact and cumbersome. They contain needless matter and duplications that certainly increase the costs. Many of the tables and exhibits are little short of meaningless.

Moreover, figures that should be the same in different reports sometimes do not agree and no explanation is offered. Sometimes the same item appears in the same report at different amounts.

Mathematical and typographical errors are prevalent and sometimes destroy the usefulness of an entire table.

No single report, or group of reports, tells the complete story of State activities in a connected or exact manner.

Should these financial figures and statistics be properly edited and co-ordinated before publication, they could be made more concise, agreement could be had or explanation offered of apparent differences, duplications decreased and complicated tables simplified.

We have been informed by the Director of the Budget of the State of Virginia that the annual reports of the departments of that State have been materially simplified by proper editing. He states that during the first year such editing was in effect the volume of the reports was reduced about 50 per cent without the elimination of any essential matter.

Hoping to see like results in Texas,

we are, whenever possible, encouraging and assisting departments to improve the form of reports and print them promptly. In one case we have reason to believe that the report will in future come out about six months earlier and be greatly simplified, thus materially increasing its usefulness to the public.

Annual printed reports by the Comptroller and the Treasurer actually are in large measure duplications. Money could be saved by a joint report of these departments. Of greater importance, the condition of State's finances would be presented more concisely and clearly and differences in figures would of necessity be explained.

Such a combined report should be in three sections, as follows: (1) A joint section for both offices to be certified to by both Comptroller and Treasurer; (2) a separate section for matters only affecting the Comptroller's Department; and (3) a like section for the Treasurer's Department.

Such a report need not violate any constitutional or statutory provision. It would save money, and could be made to show valuable information not now contained in these reports.

Confusion occurs because some reports cover a fiscal year, while others are for a calendar year. Also, in many cases, the accounts reported will not be promptly closed at the end of the year. It even appears that separate accounts kept in the same department and submitted in the same report are closed on different dates, and the figures do not agree.

20. Escheat of Property to the State.—Statistics covering a period of ten years indicate that Pennsylvania, with scarcely three times the wealth of Texas, is receiving about forty times as much money from escheated property.

In Pennsylvania, it appears that rewards are offered to persons who discover certain classes of escheatable property and assist in bringing it into the State's possession. All municipal and court officers, banks, fiduciaries, trustees, etc., are required to submit regular reports of property, deposits and things of value in their hands or coming within their knowledge when the owners are unknown or the property is unclaimed after a certain period. There are stringent penalties for failure to make such reports, and no rewards are made for escheatable property thus reported.

In Texas, more effective laws would develop such information; and it is be-

lieved that reports should not only be required, as outlined above, but that warehouse and storage companies should report unclaimed property; public utility companies should report unclaimed deposits; employers should report unclaimed wages, etc.

Reports should be made not simply to county officers, but to both county officers and the State Comptroller, who should charge the county officers with the property reported and, at proper intervals, cause the money to be accounted for either by evidence that it had been delivered to the real owners or by causing it to be paid into the Treasury.

Under authority of Article 465, Revised Civil Statutes of 1925, the Banking Department has on deposit more than \$5,000 of unclaimed funds of insolvent banks. These are kept in numerous State banks, the balances ranging from a few cents to several hundreds of dollars. There appears to be no provision for finally bringing such money into the Treasury, as is provided in Article 540 in the case of the dissolution of solvent banks. If such be the case, a change in the law appears to be needed.

A conservative estimate of the total losses each year from failure to receive escheated property has been placed at \$25,000 to \$40,000.

21. The State Is Now Paying Private Firms for Making Audits That Could Be Made by the State Auditor.—The appropriations for the University of Texas, the Agricultural and Mechanical College, the Teachers Colleges and probably other institutions, now contain items to be expended for the employment of public accountants to make annual audits required by law.

The work could be done more effectively by regular State employes, working under the direction of the State Auditor, and the reports could thereby be presented in a uniform manner.

It is respectfully suggested that, if it be desired for this department to do the work, the appropriations now in effect be transferred in order to meet the additional expense.

22. Audit of Oil Royalties From Public Lands Is Made by Private Firm.—The University of Texas has collected several millions of dollars of oil royalties, and the Board of Regents for some years has employed a private firm of accountants to audit these royalty accounts. During the last year the work of auditing alone cost over \$20,000

and salaries for persons to act as gaugers and supervisors in the oil fields, etc., made the total cost to the University of "oil field expense" more than \$70,000. The Board of Regents has written that it considers that the expenditure has been justified by the results.

The permanent school fund, during the last fiscal year, received \$1,333,000 of oil royalties, and some have estimated that the eventual total of such receipts to this fund might even exceed the large amounts that have gone to the permanent university fund. No audits are being made to see that the sums now received by the permanent school fund are correct.

If it be profitable for the University to have audits made of receipts to the permanent university fund, it also will pay to have permanent school fund receipts audited.

There are no known appropriations for making such audits for the permanent school fund, and the State Board of Education, we are informed, is concerned about the lack of audits.

We believe that such work should be done by an agency of the State empowered to make audits not only for the permanent school fund, but for the permanent university fund and all other funds as well. Such an agency would do the work on a basis of actual cost.

The State Auditor could supervise this. It really is a part of his duties, but he does not have funds to carry on the work. The University alone is paying for its audit in one year almost as much as is allotted to the State Auditor for all purposes.

It is doubtful that the Board of Regents, at present, has any statutory authority for making payments for auditing. The following is quoted from an opinion of the Attorney General, given this department on January 10, 1930:

"There is so much doubt about the authority to use any of this available fund to pay for this auditing that we suggest that if you desire the law to clearly authorize an expenditure out of this fund for such purpose, you go ahead as indicated in the latter part of your letter and call the matter to the attention of the Legislature."

It is recommended that the Legislature seriously consider both the need for auditing such receipts and the advisability of it being done on a cost basis under the supervision of the State Auditor.

If no constitutional barriers appear, the State officials authorized to invest

any permanent funds might be empowered by the Legislature to pay from the corresponding available funds the actual cost of audits of oil royalties. No part of any such funds, if they be so set aside, should be used for any purpose other than an audit of the receipts accruing to the corresponding permanent fund.

While the University, an agency of the State, is spending large sums to compile valuable information about oil production, we are unable to learn of an instance where the Comptroller's Department has made any effort to make use of the audit reports to determine whether proper payments of gross production taxes are being made.

This is only another evidence of the present lack of co-ordination between State departments and institutions.

23. The Guaranty Fund Is in Cash; It Should Be Invested in Obligations of the United States Government.—The guaranty fund is said to have always been lying idle in the State Treasury as actual cash. There is but little reason why it should not have been invested in obligations of the United States government. Especially is this true since the organization of the Federal Reserve Bank system. Probably several hundred thousand dollars in interest has been lost, not to the State, but to those having deposits in insolvent banks and others who are interested in the fund. This cannot be retrieved.

The records of the Banking Department show that the balance in the fund has remained unchanged since September 1, 1928, at \$1,472,641.85. The public press of January 25, 1930, quotes the Treasurer as saying that he has found this sum in the vaults of the Treasury.

The fund is practically dormant and the Legislature could authorize the State Banking Board to invest it in United States government bonds until such a time as its disposition can be determined. The interest earned would go to those who actually own the fund.

The Attorney General, in an opinion to this office dated January 10, 1930, says in part as follows:

"However, we do not see why the Legislature could not enact a law providing for the investment of this fund in safe securities, such as United States government bonds, pending a final settlement and disbursement of the State guaranty fund, the interest on same to be added to the State guaranty fund. In other words, we believe that any

earnings of this fund would belong to the owners of the fund."

24. Contracts for Collection of Delinquent Taxes.—County commissioners courts have made special contracts for the collection of delinquent State taxes in approximately 75 counties. These contracts not infrequently provide for payment to special collectors of as much as 25 to 33 1-3 per cent of the amounts collected. In one case the amount allowed is 50 per cent.

It appears that Tax Assessor Joe L. Pangle, of Burnet county, has such a contract with Blanco county and is a member of the copartnership of "Pangle & Ferguson," that has a contract in Llano county. Thomas C. Ferguson, the other member of the firm of "Pangle & Ferguson," has a contract in his own name in Burnet county, where his partner is tax assessor.

We have previously stated, on page 6 in this report, that the Texas Tax Record Company, a corporation formed by employes in the Comptroller's Department and a member of the Comptroller's family, has a contract in San Patricio county.

We were unable to get a copy of the San Patricio county contract from the Comptroller's office, but obtained it from the county clerk.

The Comptroller furnished us copies of about 50 such contracts and, by circularizing county officials, we learned of a number of other contracts and have secured certified copies of most of them. Such information obtained by this department is being made available to the Attorney General.

25. Increased Usefulness of Board of Control.—The usefulness of the Board of Control could be increased and many economies effected if the duties of this department were enlarged so as to include the following:

25a. Central Messenger Service.—Clerks and department heads who are being paid \$125 to \$250 or more a month spend much time in carrying letters and documents from one department to another, or from one division to another division in the same department, sometimes several hundred feet apart. In many cases this work is of the same character as that done by the pages in the Legislature, or by any ordinary messenger boy. Moreover, it is likely that a boy would do the work with less disturbance to the office he enters.

Occasionally it will be necessary for a department head or clerk to confer with someone in another department in person. Except in those instances the work can usually be done by messenger.

The State Auditor believes that a central messenger service is urgently needed, and if installed would result in saving to the State.

25b. Central Mailing Service.—Each separate department now has an appropriation for postage. Stamps are purchased that must, at a considerable cost, be affixed to letters. The stamps are now in the custody of various offices and can be used for private purposes or sold and the money diverted.

Postage metering machines, such as the Secretary of State now uses, could be installed in a central place and all letters from departments in the Main Capitol and the State Office Buildings could be brought to a central point, as most of them now are. These would be delivered unstamped and they would then be run through metering machines which would stamp the letters and provide a record for making a postage charge to each department.

The Board of Control could supervise the work and all first-class mail, except registered and emergency letters and letters to which the personal deposit in the post office had to be attested, could be so handled. Parcels post and other such mail, because of the bulk, need not actually pass through such a department but should be handled under such regulations as the Board of Control would establish.

The mailing division should be located near the present United States Post Office in the Capitol and should have boxes for each department so that it also could act as a clearing house for communications between departments. It is not unusual now for letters that may only go across a hall to be stamped and sent through mails, all for the want of a better system.

25c. Central Bureau for Reproducing and Addressing Machines.—Various departments now have multigraphs, mimeographs, gelatine duplicators, and addressographs for rapid production in quantities of copies of letters and small forms and for addressing circular letters and envelopes to names on certain standard mailing lists such as county judges, legislators, school districts, etc. Other departments do not have such equipment.

The departments having such equip-

ment rarely make full use of it, and those not having it must of necessity copy the same letter many times over or address envelopes over and over again to all the names on a single mailing list. This is done while in an adjoining office there are machines that would do the work in a tenth of the time.

All such machines for the departments in the Main Capitol and State Office Buildings could be concentrated into one central office and made available for the use of all departments in the same way that the photostatic machines are now used.

25d. Central Stationery and Supply Room.—The purchase of office supplies is now made upon approval of the Board of Control under competitive bidding after which contracts are let to successful bidders.

The actual purchasing, delivery and receipt of goods, however, is as follows:

Each separate department makes up its own requisitions and submits these to the Board of Control which approves a separate purchase order for each requisition. The delivery is made directly to departments, separate bills are rendered, separate vouchers prepared, separate warrants issued, and various other complications and duplications occur. Coupled with this is the tendency of supply houses to delay delivery of supplies, or to offer for requisitioned substituted articles, which are often of poorer quality.

Much less confusion would occur if the Board of Control could purchase all stationery and supplies in large quantities, demanding the exact materials called for under contract; and issue the supplies upon requisition to the various departments.

The Board of Control could be given a revolving appropriation, which would be needed to care for reserve stock. The material, when issued to the various departments would be charged at contract prices. These charges would serve to replenish the revolving appropriation and could keep it at the same level at all times except for stock on hand. The total issues to a single department should, of course, never exceed the amount appropriated for such department.

At no time should any cash sales be made and no special bank account need be maintained in this connection. The charges to departments should be made by journal entry without the issuance of warrants.

In this manner departmental stationery stocks need not be so large; prices would probably be lower since costs and details of dealing with the State would be so much less; deliveries would be more prompt; and substitutions less likely to occur. Also, supply houses in cities other than Austin would be encouraged to bid on State requirements.

25e. Central Janitor Service.—Separate departments have appropriations for their own janitors or porters. Instances are known of two or more departments occupying one large room, each having its own janitor who will not cross an aisle to perform a minor service in another department. Some offices employ janitors who appear to be idle a considerable portion of their time. On the other hand there are janitors or porters who appear to be constantly occupied. Some even perform important duties not ordinarily in keeping with the nature of such employment.

The Auditor believes that the service will be improved and costs lowered by placing all janitors directly under the Board of Control.

25f. Survey of Office and Vault Space.—Office space is so used and desks so arranged that employees are not adequately supervised. Disturbing conversations and interruptions both by clerks and outsiders are actually encouraged by this.

The fire hazard seems great indeed and records that could never be replaced are not kept in vaults. They are now liable to be lost by fire or to be stolen or altered. There is grave danger that even the vaults of the Treasury are not secure against either fire or theft. The word of no one except a qualified expert should be accepted as either for or against this idea.

The Board of Control assigns office space, but there is a prevalent idea that once space is assigned to a department it cannot be taken away.

The conditions would be improved if the Board was directed to make a survey to see positively (1) whether space is proportionately assigned, and, if not so, to reassign it, (2) if fire hazards can be lowered, (3) if vault space is adequate, and (4) if the Treasurer's vaults are actually secure both against fire and theft.

26. Failure of County Officers to File Reports of Fees.—A committee of the Legislature recently has gone to much trouble and expense to collect informa-

tion about the fees of certain county officers.

It is interesting to note that all tax collectors and assessors in counties of over 25,000 population are required to file sworn statements of fees with the State Comptroller. (Arts. 3897, 3900, and 3901, R. C. S., 1925.)

The Comptroller writes that, copies of such reports "have not been received" at his office.

Had the simple requirements of the statutes been followed in this matter, the Legislature would have had information readily available and, no doubt, trouble and expense would have been saved.

27. Statute to Lessen Probability of Improper Payments Not Followed by Comptroller.—The statutes provide that the Comptroller shall keep an alphabetical record of paid claims. This record, if maintained, would tend to prevent duplicate payments. The Comptroller does not keep the record.

He also appears to have no positive means of seeing that payments are not made to persons who are indebted to the State. The law forbids such payments.

28. Diversion of Appropriations—Within a few days after the State Auditor took office, the Board of Insurance Commissioners voluntarily called his attention to the fact that certain appropriations had been handled by the Casualty Division in an irregular manner.

Certain records of the Casualty Division were submitted to a representative of this office and information developed therefrom which is summarized in paragraphs immediately following.

During the months of June, July and August, 1928, the Casualty Insurance Commissioner engaged a clerk for a salary less than that specified in the appropriation act. The employee received warrants for the full amount allowed by law, paying over to another employee that portion of the money collected which was in excess of the agreed salary. The latter employee who received this excess was at the same time paid the full amount of salary allowed by an appropriation made for the Fire Division.

In other cases, warrants were issued to employees for greater amounts than they had actually earned. The employees either cashed the warrants and retained the amounts due them, paying the excess to the Casualty Commissioner, or endorsed the entire warrant to him,

and he in turn paid them their agreed salary.

By such means a small fund was accumulated from which the Commissioner paid employees who performed services for which no appropriation was available. This practice was followed during the period from September, 1928, to April, 1929. The amounts passed to the Commissioner for redistribution in this manner totaled \$426.08.

Also, warrants were drawn against the postage appropriation for the Casualty Division, but instead of being immediately expended for that purpose were deposited by the head of the division in a local bank. These aggregated \$1,847.12. From time to time checks were drawn thereon for postage and in one instance for express charges. The unused amount appears to have been carried as a balance in the bank. Shortly before the close of each fiscal year the unexpended balance remaining in the appropriation was withdrawn and deposited in a bank account so that no part of the appropriation might lapse. These unexpended balances were \$256.02 on August 31, 1928, and \$351.06 on August 31, 1929. By this means the appropriation of each succeeding fiscal year was supplemented.

Apparently, in each of the instances mentioned the law has been violated.

The appropriation acts for the two years ended August 31, 1929, provide in part that the amounts appropriated were intended to cover the entire cost of the respective items, and should not be supplemented from any other source, and that no portion of the money appropriated for any particular item should be used for any other item than that for which such appropriation was made.

At the time this matter was submitted, the Casualty Commissioner informed the State Auditor that an unexpended balance of \$52.35 remaining in the bank would be returned to the Treasury. The records of the Comptroller's Office show that the above amount was deposited on January 13, 1930.

It may be stated that the examination of the records submitted indicated that neither the Casualty Insurance Commissioner or any other officer had profited personally by the transactions, but the practices indulged in, although the Commissioner might consider them for the good of his department, set a precedent that could be employed by unscrupulous persons to divert money to personal use.

#### COMMITTEE OF THE WHOLE HOUSE.

On motion of Mr. Johnson of Dimmit, the House, at 10 o'clock a. m., resolved itself into a Committee of the Whole House for the purpose of considering penitentiary matters.

(In Committee of the Whole House. Mr. Barron in the chair.)

#### IN THE HOUSE.

(Mr. Barron in the chair.)

Mr. Barron, Chairman of the Committee of the Whole House, reported to the House that the Committee desired to rise, report progress and ask leave to sit again at 2 o'clock p. m. today.

The House adopted the report.

#### MESSAGE FROM THE SENATE.

Senate Chamber,  
Austin, Texas, January 31, 1930.

Hon. W. S. Barron, Speaker of the House of Representatives.

Sir: I am directed by the Senate to inform the House that the Senate has passed

S. C. R. No. 6, Inviting Mr. Gregory Hatcher to address a joint session of the House and the Senate on Monday, February 3, at 7:30 p. m.

Respectfully,

MORRIS C. HANKINS,  
Assistant Secretary of the Senate.

#### MESSAGE FROM THE SENATE.

Senate Chamber,  
Austin, Texas, January 31, 1930.

Hon. W. S. Barron, Speaker of the House of Representatives.

Sir: I am directed by the Senate to inform the House that the Senate has passed

H. C. R. No. 14, Relative to recent action of the Real Estate Brokers' Board of Wisconsin toward real estate developments in Texas.

Respectfully,

MORRIS C. HANKINS,  
Assistant Secretary of the Senate.

Mr. McCombs moved that the House adjourn until 10 o'clock a. m. next Monday, and the motion was lost.

#### RECESS.

On motion of Mr. Rountree, the House, at 12 o'clock m., took recess to 1:59 o'clock p. m. today.

## AFTERNOON SESSION.

The House met at 1:59 o'clock p. m. and was called to order by the Speaker.

## COMMITTEE OF THE WHOLE HOUSE.

On motion of Mr. Forbes, the House, at 2 o'clock p. m., resolved itself into a Committee of the Whole House for the purpose of considering penitentiary matters.

(In Committee of the Whole House. Mr. Barron in the chair.)

## IN THE HOUSE.

(Mr. Barron in the chair.)

Mr. Barron, Chairman of the Committee of the Whole House, reported to the House that the Committee desired to rise, report progress and ask leave to sit again at 2:23 o'clock p. m. today.

Mr. Kemble moved that the House adjourn until 10 o'clock a. m. tomorrow and the motion was lost.

Mr. Rountree moved a call of the House for the purpose of maintaining a quorum, and the call was duly ordered.

The Speaker then directed the Door-keeper to close the main entrance to the Hall and instructed the Sergeant-at-Arms to lock all other doors leading from the Hall, and stated that no member would be permitted to leave the Hall without written permission from the Speaker.

On motion of Mr. Van Zandt the Sergeant-at-Arms was instructed to bring in all absent members within the city who are not ill.

Mr. Justiss moved that the House adjourn until 10 o'clock a. m. next Monday.

Yeas and nays were demanded, and the motion was lost by the following vote:

## Yeas—18.

Enderby.	Pavlica.
Harding.	Purl.
Harrison.	Quinn.
Hogg.	Riley.
Johnson	Shelton.
of Dimmit.	Tillotson.
Justiss.	Waddell.
Marks.	Westbrook.
McGill.	Williams
Nicholson.	of Hardin.

## Nays—62.

Acker.	Avis.
Ackerman.	Barnett.
Allred.	Bateman.

Bond.	Kennedy.
Bounds.	Kincaid.
Brice.	King.
Brooks.	Land.
Carpenter.	Long of Wichita.
Chastain.	Loy.
Coltrin.	Magee.
Cox of Lamar.	Metcalf.
Cox of Limestone.	Mullally.
Dunlap.	Negley.
Duvall.	Olsen.
Finlay.	Palmer.
Forbes.	Prendergast.
Fuchs.	Renfro.
Gates.	Rogers.
Giles.	Rountree.
Graves	Sanders.
of Williamson.	Shaver.
Heaton.	Sherrill.
Hines.	Sinks.
Hopkins.	Storey.
Hornaday.	Tarwater.
Hubbard.	Veatch.
Jenkins.	Walters.
Johnson	Warwick.
of Dallam.	West.
Johnson of Smith.	Williams
Johnson of Scurry.	of Travis.
Keeton.	Young.
Keller.	

## Absent.

Mr. Speaker.	McDonald.
Adkins.	McKean.
Albritton.	Mehl.
Anderson.	Minor.
Baker.	Montgomery.
Baldwin.	Moore.
Beck.	Morse.
Bradley.	Mosely.
Conway.	Murphy.
Davis.	O'Neill.
DeWolfe.	Patterson.
Ewing.	Petsch.
Eickenroht.	Pool.
Farrar.	Pope of Jones.
Finn.	Pope of Nueces.
Gilbert.	Ray.
Graves of Erath.	Reader.
Hardy.	Reid.
Harman.	Richardson.
Harper.	Savage.
Hefley.	Simmons.
Holder.	Snelgrove.
Jones.	Speck.
Kayton.	Stephens.
Kemble.	Stevenson.
Kenyon.	Strong.
Kinnear.	Thompson.
Lee.	Turner.
Lemens.	Van Zandt.
Long of Houston.	Wallace.
Mankin.	Webb.
Martin.	Wiggs.
Mauritz.	Williams
Maynard.	of Sabine.
McCombs.	Woodruff.

Mr. Metcalfe moved to reconsider the vote by which the call of the House was ordered.

The motion to reconsider prevailed.

ADJOURNMENT.

On motion of Mr. Albritton, the House, at 2:50 o'clock p. m., adjourned until 10 o'clock a. m. tomorrow.

SEVENTH DAY.

(Saturday, February 1, 1930.)

The House met at 10 o'clock a. m., pursuant to adjournment, and was called to order by Mr. Van Zandt.

COMMUNICATION FROM HON. W. S. BARRON, SPEAKER.

The Speaker laid before the House, and had read, the following communication:

January 31, 1930.

Hon. Olin R. Van Zandt, House of Representatives, Austin, Texas.

Dear Sir: This will be your authority to convene the House of Representatives on Saturday, February 1, 1930.

Cordially yours,  
W. S. BARRON,  
Speaker.

The roll was called and the following members were present:

Ackerman.	Johnson of Scurry.
Adkins.	Keeton.
Baker.	Keller.
Bateman.	Kennedy.
Bond.	Kincaid.
Bounds.	Land.
Brice.	Lemens.
Brooks.	Marks.
Carpenter.	Martin.
Coltrin.	McGill.
Cox of Lamar.	Metcalfe.
Cox of Limestone.	Palmer.
Davis.	Patterson.
Enderby.	Rountree.
Finlay.	Sanders.
Forbes.	Sherrill.
Harding.	Simmons.
Harper.	Speck.
Harrison.	Stephens.
Hines.	Storey.
Hogg.	Tarwater.
Hornaday.	Tillotson.
Hubbard.	Van Zandt.
Jenkins.	Veatch.
Johnson of Smith.	Wallace.

Walters.  
Warwick.  
Webb.  
West.  
Williams  
of Hardin.

Williams  
of Travis.  
Woodruff.  
Young.

Absent.

Mr. Speaker.  
Acker.  
Albritton.  
Allred.  
Anderson.  
Avis.  
Baldwin.  
Barnett.  
Beck.  
Bradley.  
Chastain.  
Conway.  
DeWolfe.  
Dunlap.  
Duvall.  
Ewing.  
Eickenroht.  
Farrar.  
Finn.  
Fuchs.  
Gates.  
Gilbert.  
Giles.  
Graves  
of Williamson.  
Graves of Erath.  
Hardy.  
Harman.  
Heaton.  
Hefley.  
Holder.  
Hopkins.  
Johnson  
of Dallam.  
Johnson  
of Dimmit.  
Jones.  
Justiss.  
Kayton.  
Kemble.  
Kenyon.  
King.  
Kinnear.  
Lee.  
Long of Houston.  
Long of Wichita.  
Loy.  
Magee.

Mankin.  
Mauritz.  
Maynard.  
McCombs.  
McDonald.  
McKean.  
Mehl.  
Minor.  
Montgomery.  
Moore.  
Morse.  
Mosely.  
Mullally.  
Murphy.  
Negley.  
Nicholson.  
Olsen.  
O'Neill.  
Pavlica.  
Petsch.  
Pool.  
Pope of Jones.  
Pope of Nueces.  
Prendergast.  
Purl.  
Quinn.  
Ray.  
Reader.  
Reid.  
Renfro.  
Richardson.  
Riley.  
Rogers.  
Savage.  
Shaver.  
Shelton.  
Sinks.  
Snelgrove.  
Stevenson.  
Strong.  
Thompson.  
Turner.  
Waddell.  
Westbrook.  
Wiggs.  
Williams  
of Sabine.

The Speaker announced that there was not a quorum present.

ADJOURNMENT.

On motion of Mr. Sanders, the House, at 10:08 o'clock a. m., adjourned until 10 o'clock a. m. next Monday.